

SOUTH CAROLINA ELECTRIC & GAS COMPANY

Gorman Recommended Rate of Return

<u>Line</u>	<u>Description</u>	<u>Ratio</u> (1)	<u>Cost</u> (2)	Weighted <u>Cost</u> (3)	Pre-Tax Weighted <u>Cost</u> (4)
1	Long-Term Debt	43.96%	7.22%	3.17%	3.17%
2	Preferred Stock	4.48%	6.81%	0.31%	0.50%
3	Common Equity	<u>51.56%</u>	10.50%	<u>5.41%</u>	<u>8.80%</u>
4	Total	100.00%		8.89%	12.47%
5	Pre Tax Interest Coverage				3.9
Gross Revenue Conversion		1.626			

Source: Exhibit D-III, page 1 and Exhibit D-VII, page 1

South Carolina Electric & Gas Company

Comparable Group- Electric and Electric & Gas

Line	Utility	% of Electric Revenues ² (1)	Bond Ratings ²		Net Plant Assets \$ MIL ² (4)	Common Equity Ratios	
			S&P (2)	Moody's (3)		Value Line ¹ (5)	C.A. Turner ² (6)
1	Ameren Corp.	93%	A+	Aa3	8,624.0	52%	47%
2	Empire District Electric Co.	99%	A-	Baa1	764.2	43%	43%
3	FPL Group, Inc.	87%	A	Aa3	12,964.0	54%	47%
4	NSTAR	84%	A	A3	2,725.5	40%	33%
5	Pinnacle West Capital Corp.	90%	A-	A3	6,125.8	48%	43%
6	Southern Company	86%	A+	A1	23,955.0	42%	37%
7	Average	90%	A	A2	9,193.1	47%	42%
8	South Carolina Electric & Gas ³	80%	A-	A3	3,615.5	52%	NA

Sources:

¹ The Value Line Investment Survey, dated Aug. 16, 2002, Sept. 6, 2002 & Oct. 4, 2002.

Value Line excludes short-term debt in calculating the common equity ratio.

² C.A. Turner Utility Reports, October 2002

C.A. Turner includes short-term debt in calculating the common equity ratio.

³ FERC Form 1 and Rate Filing.

Note:

(1) Central Vermont was not included in the comparable group because there was no Moody's Bond Rating in CA Turner.

(2) Green Mountain Power was removed because there was no consensus growth rate data for this company.

(3) DPL Inc. was removed because it is currently writing off \$155 million of impaired non-regulated assets.

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Consensus Growth Rate Estimate

<u>Line</u>	<u>Utility</u>	<u>Zacks Estimated Growth % ¹ (1)</u>	<u># of Ests. (2)</u>	<u>Multex Estimated Growth % ² (3)</u>	<u># of Ests. (4)</u>	<u>FirstCall Estimated Growth % ³ (5)</u>	<u># of Ests. (6)</u>	<u>Avg. of Growth Rates (7)</u>
1	Ameren Corp.	4.14%	8	3.89%	9	4.25%	8	4.09%
2	Empire District Electric Co.	3.00%	1	5.33%	3	5.67%	3	4.67%
3	FPL Group, Inc.	6.23%	13	5.81%	15	6.08%	16	6.04%
4	NSTAR	6.00%	3	5.33%	3	6.40%	5	5.91%
5	Pinnacle West Capital Corp.	6.00%	4	4.83%	6	6.56%	9	5.80%
6	Southern Company	5.17%	12	4.67%	12	5.57%	14	5.14%
7	Average	5.09%		4.98%		5.76%		5.27%

Sources:

¹ Long-term growth rates downloaded from Zacks.com, Detailed Analyst Estimates.

² Long-term growth rates downloaded from Multexinvestor.com, Earnings Estimates.

³ Long-term growth rates downloaded from ThomsonFN.com, First Call Consensus Estimate

South Carolina Electric & Gas Company

13-Week Average Stock Price Constant Growth DCF Model

<u>Line</u>	<u>Utility</u>	<u>13 Week Average Price ¹ (1)</u>	<u>Consensus Average Growth % (2)</u>	<u>Annual Dividend ² (3)</u>	<u>Adjusted Yield (4)</u>	<u>Constant Growth DCF (5)</u>
1	Ameren Corp.	41.97	4.09%	2.54	6.3%	10.4%
2	Empire District Electric Co.	17.16	4.67%	1.28	7.8%	12.5%
3	FPL Group, Inc.	54.74	6.04%	2.32	4.5%	10.5%
4	NSTAR	40.49	5.91%	2.12	5.5%	11.5%
5	Pinnacle West Capital Corp.	29.68	5.80%	1.60	5.7%	11.5%
6	Southern Company	28.57	5.14%	1.37	5.0%	10.2%
7	Average	35.44	5.27%	1.87	5.8%	11.1%

Sources:

¹ Stock prices downloaded from Yahoo.com, historical quotes

² The Value Line Investment Survey, dated Aug. 16, 2002, Sept. 6, 2002 & Oct. 4, 2002.

South Carolina Electric & Gas Company

Equity Risk Premium

<u>Line</u>	<u>Year</u>	<u>Treasury Bond Yield ¹</u> (1)	<u>Authorized Electric Returns ²</u> (2)	<u>Indicated Risk Premium</u> (3)
1	1986	7.78%	13.93%	6.15%
2	1987	8.59%	12.99%	4.40%
3	1988	8.96%	12.79%	3.83%
4	1989	8.45%	12.97%	4.52%
5	1990	8.61%	12.70%	4.09%
6	1991	8.14%	12.55%	4.41%
7	1992	7.67%	12.09%	4.42%
8	1993	6.59%	11.41%	4.82%
9	1994	7.37%	11.34%	3.97%
10	1995	6.88%	11.55%	4.67%
11	1996	6.71%	11.39%	4.68%
12	1997	6.61%	11.40%	4.79%
13	1998	5.58%	11.66%	6.08%
14	1999	5.87%	10.77%	4.90%
15	2000	5.94%	11.43%	5.49%
16	2001	5.49%	11.08%	5.59%
16	Average	7.20%	12.00%	4.80%

Sources:

¹ Economic Report of the President, January, 2001 and the St. Louis Federal Reserve Bank website

² Regulatory Research Associates, Inc., Regulatory Focus

South Carolina Electric & Gas Company

Equity Risk Premium

<u>Line</u>	<u>Year</u>	<u>Average Utility Bond Yield ¹</u> (1)	<u>Authorized Electric Returns ²</u> (2)	<u>Indicated Risk Premium</u> (3)
1	1986	9.46%	13.93%	4.47%
2	1987	9.98%	12.99%	3.01%
3	1988	10.45%	12.79%	2.34%
4	1989	9.66%	12.97%	3.31%
5	1990	9.76%	12.70%	2.94%
6	1991	9.21%	12.55%	3.34%
7	1992	8.57%	12.09%	3.52%
8	1993	7.56%	11.41%	3.85%
9	1994	8.30%	11.34%	3.04%
10	1995	7.91%	11.55%	3.64%
11	1996	7.74%	11.39%	3.65%
12	1997	7.63%	11.40%	3.77%
13	1998	7.00%	11.66%	4.66%
14	1999	7.55%	10.77%	3.22%
15	2000	8.14%	11.43%	3.29%
16	2001	7.71%	11.08%	3.37%
17	Average	8.54%	12.00%	3.46%

Sources:

¹ Mergent Public Utility Manual, 2000

² Regulatory Research Associates, Inc., Regulatory Focus

South Carolina Electric & Gas Company

Comparable Group <u>Beta</u>		
<u>Line</u>	<u>Utility</u>	<u>Value Line Beta ¹</u>
1	Ameren Corp.	0.60
2	Empire District Electric Co.	0.50
3	FPL Group, Inc.	0.50
4	NSTAR	0.60
5	Pinnacle West Capital Corp.	0.50
6	Southern Company	NMF
7	Average	0.54

Source:

¹ The Value Line Investment Survey, dated Aug. 16, 2002,
Sept. 6, 2002 & Oct. 4, 2002.

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CAPM Return Estimate

<u>Line</u>	<u>Description</u>	<u>Historical Premium</u>
1	CAPM	9.6%
2	Rf	5.8%
3	Risk Premium	7.0%
4	Beta	0.54
		<u>Prospective Premium</u>
5	CAPM	9.2%
6	Rf	5.8%
7	Risk Premium	6.3%
8	Beta	0.54
9	CAPM Average	9.4%